

Message Text

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ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06
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R 081652Z AUG 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 0486
DEPARTMENT TREASURY
INFO AMEMBASSY PARIS
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY ROME
AMEMBASSY TOKYO

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USEEC, USOECD ALSO FOR EMBASSY

DEPARTMENT PASS FRB

E.O. 11652: N/A
TAGS: ECON, EFIN, GW
SUBJECT: GERMAN PRESS COMMENT ON BLUMENTHAL/APEL
MEETING IN PARIS

1. SUMMARY -- LEADING GERMAN NEWSPAPERS GAVE RELATIVELY
WIDE COVERAGE TO THE BLUMENTHAL/APEL MEETING OVER THE
WEEKEND IN PARIS. PRESS COMMENTS, HOWEVER, DIFFERED
WIDELY. "DIE WELT" HEADLINED AN ARTICLE "APEL
CANNOT CHANGE BLUMENTHAL'S MIND", THE FRANKFURTER
ALLGEMEINE ZEITUNG (FAZ) WROTE THAT "APEL AND
BLUMENTHAL DEMONSTRATE UNITY" AND THE HANDELSBLATT
COMMENTED "BLUMENTHAL AND APEL AGREE ON STRONG DOLLAR".
END SUMMARY.

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2. THE FAZ STATED THAT AT THE EDGE OF THE PARIS
CONFERENCE SECRETARY BLUMENTHAL AND FINANCE MINISTER
APEL "APPARENTLY SUCCEEDED IN SETTLING THEIR
DIFFERENCES WITH REGARD TO THE RECENT DOLLAR DECLINE."
THE FAZ CONTINUED THAT, BOTH FINANCE MINISTERS EVEN
TRIED TO CREATE THE IMPRESSION AT A PRESS CONFERENCE

THAT AT NO TIME HAD THERE BEEN ANY DISCORD BETWEEN WASHINGTON AND BONN. SECRETARY BLUMENTHAL REPORTEDLY REJECTED THE REPROACH THAT THE UNITED STATES, IN ORDER TO PROMOTE U.S. EXPORTS, INTENTIONALLY INITIATED THE DOLLAR'S DECLINE. ACCORDING TO THE FAZ, BLUMENTHAL EMPHASIZED THE DETERMINATION OF THE U.S. GOVERNMENT TO SUPPORT THE U.S. CURRENCY BY MAINTAINING A STRONG AND STABLE ECONOMY, BUT ADDED THAT, IN VIEW OF THE CURRENT LARGE U.S. TRADE AND CURRENT ACCOUNT DEFICITS, A "CERTAIN" DECLINE OF THE U.S. CURRENCY WAS UNDER- STANDABLE.

3. IN AN EDITORIAL, THE FAZ TOOK EXCEPTION TO SECRETARY BLUMENTHAL, ACTING AS IF NOTHING HAD HAPPENED AND AS IF WORLD PUBLIC OPINION HAD COMPLETELY FORGOTTEN THE DRAMATIC DECLINE OF THE DOLLAR FOLLOWING THE REMARKS HE HAD MADE. THE PAPER QUESTIONED WHETHER BLUMENTHAL HAD NOT KNOWN WHAT HE WAS DOING AND CONTINUED THAT ONE COULD NOT GIVE SO MUCH BENEFIT OF THE DOUBT TO EVEN A NEW COMER IN OFFICE. IN CONCLUDING, THE FAZ EXPRESSED THE HOPE THAT APEL HAD, BEHIND CLOSED DOORS, NOT ONLY LISTENED TO THE "CONFESSION OF SOMEONE WHO DID NOT KNOW" BUT ALSO DISCUSSED HOW IN THE FUTURE SUCH CONFUSION (ON THE EXCHANGE MARKETS) COULD BE AVOIDED.

4. "DIE WELT" COMMENTED THAT THE GERMAN GOVERNMENT UNCLASSIFIED

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ONCE AGAIN FAILED TO PERSUADE THE U.S. TO SUPPORT THE DOLLAR. BLUMENTHAL AGREED ONLY NOT TO ACTIVELY TRY TO KEEP THE DOLLAR RATE LOW AND EXPRESSED U.S. GOVERNMENT

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DEPARTMENT TREASURY

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AMEMBASSY LONDON

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ADHERENCE TO THE MONETARY POLICY ARRANGEMENTS OF RAMBOUILLET AND PUERTO RICO. "DIE WELT" RECALLED THAT THESE AGREEMENTS PROVIDE FOR THE PREVENTION OF ERRATIC EXCHANGE RATE MOVEMENTS BUT SAID THAT, IN ITS VIEW, THE U.S. HAS PROVEN SEVERAL TIMES THAT IT PREFERS A VERY WIDE INTERPRETATION OF THIS TERM.

5. THE "HANDELSBLATT" WROTE THAT APEL AND BLUMENTHAL EMPHASIZED THEIR COMMON INTEREST IN MAINTAINING A STRONG U.S. DOLLAR BUT THAT NEITHER WAS WILLING TO MAKE PRECISE STATEMENTS ON FUTURE DEVELOPMENTS OF THE DOLLAR/DM RATE. BOTH DENIED THAT IN THIS REGARD THERE HAD BEEN ANY TENSIONS BETWEEN THE TWO COUNTRIES. BLUMENTHAL DEFENDED HIMSELF AGAINST THE REPROACH THAT HE HAD "TALKED DOWN" THE DOLLAR. IN THE HANDELSBLATT'S VIEW BLUMENTHAL'S VERY UNCLASSIFIED

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GENERAL STATEMENT THAT DOLLAR DEVELOPMENTS WOULD BE DETERMINED BY "FUNDAMENTAL DATA" LEFT IT OPEN WHETHER HE IS STILL INTERESTED IN A FURTHER DEVALUATION OF THE DOLLAR AGAINST THE DEUTSCHEMARK, THE YEN AND THE SWISS FRANC.

6. THE "STUTTGARTER ZEITUNG" WROTE THAT BLUMENTHAL AND APEL, IN REVIEWING THE INTERNATIONAL MONETARY SITUATION HAD REACHED FULL AGREEMENT. THE NEWSPAPER ALSO MENTIONED BLUMENTHAL'S ASSURANCE THAT THE U.S. GOVERNMENT WILL "NOT INTENTIONALLY KEEP THE DOLLAR RATE LOW" BUT WILL RATHER ADHERE TO THE RAMBOUILLET AND JAMAICA MONETARY AGREEMENTS.

7. THE SUDDEUTSCHE ZEITUNG STATED THAT BOTH BLUMENTHAL AND APEL EMPHASIZED THE NECESSITY OF A STRONG

DOLLAR AND THE DETERMINATION OF BOTH GOVERNMENTS TO PREVENT ERRATIC EXCHANGE RATE MOVEMENTS BY CLOSE COOPERATION AND APPROPRIATE INTERVENTIONS. THE SUDDEUTSCHE FURTHER MENTIONED BLUMENTHAL'S REFERENCE TO THE ONLY MINOR DECLINE OF THE DOLLAR AGAINST THE CURRENCIES OF THE OECD COUNTRIES WHICH, IN HIS VIEW, DEMONSTRATES THE STRENGTH OF THE DOLLAR.
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